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STATE OF THE STATE MESSAGE

Presented to the
Fiftieth Legislature
and to the people
of Montana

January 9, 1987

TED SCHWINDEN
Governor of Montana

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PRESENTED TO THE
FIFTIETH LEGISLATURE
AND TO THE PEOPLE OF MONTANA
BY
GOVERNOR TED SCHWINDEN
Friday, January 9, 1987, at 11 a.m.

Mr. President, Mr. Speaker, members of the Fiftieth Legislature, elected state officials, fellow Montanans.

At the close of our first century of statehood, this legislative session is inevitably historic. The Montana Centennial Commission, created in 1985, is currently recognizing those Century Citizens who helped shape our history—pioneers for whom hauling water and handcranking a Model T are not a matter of history, but of living memory. The early settlers came, drawn by visions of a rich vein of gold, or 320 acres of their own golden grain.

Montana continues to provide plenty of opportunity for those who seek it. But, we must recapture the spirit of optimism without which yesterday's prospector and homesteader would never have taken a chance. Today, our horizons—and our potential—stretch across the Pacific and around the world to wherever advanced telecommunications and our own ingenuity can take us.

A Seeley Lake resident recently sent me some unsolicited—but timely—advice: “I’m tired of hearing about our sagging economy,” wrote Elinor Williamson, “. . . if we all just work together, we can overcome any problems our state has.”

She was right—and ‘right on!’

This Fiftieth Session is as much a beginning as an ending, as much a prelude to our second century as the conclusion of our first. Our Montana heritage—our sense of personal independence tempered by a neighborly commitment to community—will guide us into our second century.

The task we share is to balance a pragmatism mandated by short-term economic adversity with a vision of a better tomorrow. We must strengthen the emerging public-private partnership to assure responsible progress. And, we must exercise courage as we pursue reform; set new priorities as we respond to change.

Six years ago, in my first address as Montana’s governor, I pledged that I would make “cost-conscious, people-sensitive management” the standard of my administration. We have kept that commitment. From the involvement of the Council on Management to improve government efficiency . . . to the creation of the Montana Ambassadors’ network to involve business people in strengthening our economy . . . to the ongoing use of the Priorities for People process in shaping our human service priorities . . . this administration has responded to the changing needs of our state.

Today, I challenge our educational institutions to do the same. Last November 4th, our citizens were given a choice between their historic commitment to quality public education and Constitutional Initiative 27's promise of doing away with property taxes. To their credit, they took the long view . . . and Montana's children came out the winners.

If young Montanans are to remain the winners, we must have educational excellence and educational reform . . . and it must occur at every level.

Simply putting more money into schools is not the answer. Montanans already spend a greater percentage of their income on each school child than do Americans in all but three other states. Where does the money go?

Forbes Magazine last week pointed out that, in the past 30 years, spending on education has risen from four to nearly seven percent of the GNP. But, during that same period, the proportion of school operating budgets spent on teachers' salaries has declined by 15 percent. Montana statistics also point to the significant bite administrative costs are taking. Last year, while Montana ranked 43rd in the nation in student enrollment, we were 10th in the number of school districts we support.

Clearly, Montanans are willing to pay for quality, but they expect—and deserve—accountability. We must develop a funding formula that encourages both administrative efficiency and educational excellence.

I have asked that the Legislature continue to dedicate approximately one-fourth of all general fund revenues to higher education, and allow universities to reinvest the research dollars they earn. A quality university system is critical in responding to the transitional economy, but universities must also respond to change. They must adjust to the declining enrollments dictated by the end of the baby boom and make quality—not quantity—the priority of the system.

From our experience with the 1982 management study of state government, I am confident that the \$150,000 I have proposed for a similar study of our universities will be a sound and rewarding investment.

As we pursue excellence—and accountability—in our educational system, we must also examine our responsibilities to Montana's troubled youth. Fifteen months ago, in response to growing concern that our youth services system—and our troubled youngsters—were suffering from "too many cooks," I asked a group of concerned Montanans to recommend a better system. The string of teenage tragedies in recent months has shaken first one community and then another—making clear the urgent need for change. To ensure that today's troubled youth don't become tomorrow's troublesome adults, I ask the Legislature to support creation of a new Department of Family Services. By consolidating responsibility and current funding into a single new agency, we can make sure that no children—and no tax dollars—are lost in the "institutional shuffle."

If the Legislature supports the funding levels I have proposed, there will be fewer people on the state payroll in 1987 than at any time since 1975. We've been getting smaller, yes; less responsive, no . . . because the men and women who work for the state are working harder. State employees continue to give that extra something that frequently prompts people from around the state to drop me a line expressing their appreciation for a job well done.

Together we can balance the state budget, provide needed services, and create expanded opportunity—the kind of opportunity the 1983 and 1985 Legislatures had in mind when they approved the initial Build Montana economic development programs and the far-sighted alliance for investment in technology research and development.

This Legislature must continue to address the shortage of venture capital that threatens to undermine our current and future economic initiatives. Like a newly sprouted seed, good business ideas must be nurtured before we can expect them to flourish on their own. I propose that we establish a \$16 million bonding program through the Science and Technology Alliance, and that we invest a small portion of state retirement funds in established venture capital firms. Together with the initiatives to expand the capital company credit contained in my tax reform package, these actions would put good ideas—and more Montanans—to work within our borders.

We must also ensure that our existing businesses remain competitive and that Montanans remain confident in their economy and in their government. To that end, I have recommended a major reform of our tax structure and the workers' compensation system.

Court decisions have eroded legislative and executive control of the workers' compensation system, and spiralling costs have shaken public confidence in the program. I urge this Legislature to adopt the changes proposed by the Workers' Compensation Advisory Council and the Department of Labor.

Montana's tax system also demands reform. The tax initiatives I announced in November will achieve greater equity and simplicity, while encouraging growth and expanded investment. Responsible tax reform, and a budget balanced without a tax increase, will strengthen Montana's positive climate for economic development. If we are to prevent major tax increases, legislative approval of the temporary transfer of coal tax revenues to the general fund is imperative.

Avoiding tax increases is essential—avoiding tax debate, all but impossible. When a majority of voters cast their ballots in favor of Initiative 105, they guaranteed that the sales tax issue would be on the 1987 legislative agenda.

The proponents of I-105 clearly wanted a sales tax, but were unwilling to put the question directly to the voters. That is not the way we conduct politics in Montana. Let's get the issue out into the open now by placing a clear and decisive choice before the voters in 1988.

I remain convinced that a sales tax is neither necessary nor desirable for Montana. But, if Montana is to have a sales tax, it must be designed to encourage development, to create jobs and to provide relief for homeowners—not to increase government spending. And it must have the support of the people of this state. I propose that this Legislature place on the ballot a referendum to repeal all taxes on personal property, exempt from taxation the first \$16,500 of the market value of residential houses, and replace the lost revenue with a three percent sales tax. The voters of this state deserve the opportunity to make that decision. I trust their judgment.

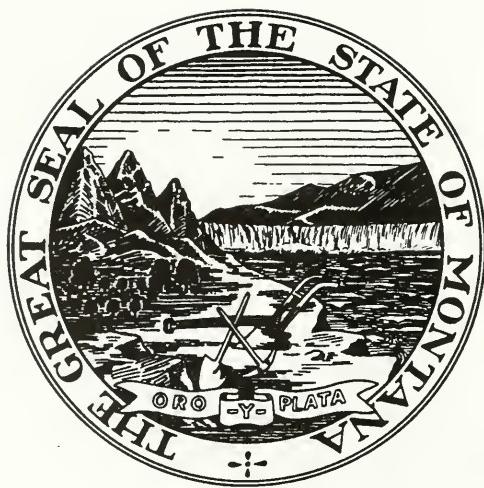
The people of Montana can take pride in their good judgment—in their wise commitment to the preservation of a quality environment, and their support of legislation enacted over the past two decades to protect our soil, air, water and wildlife. Government and industry have demonstrated that such laws are compatible with the economic development we seek. One need look no further than the new Centennial Minerals mine near Jefferson City or the recent discharge permit for Stone Container Corporation's pulp mill at Frenchtown for positive examples.

It's time to take the next step forward. I propose that we dedicate six percent of the Resource Indemnity Trust earnings to a special "Superfund Trust." By providing the matching dollars necessary for Montana to make full use of the federal superfund program, the new trust would guarantee that we continue to clean up the mistakes made in our first century.

One hundred years ago, the winter of 1886-87 brought Montana's open-range cattle days to a painful close—but Montana survived. In the first half of this decade, the global marketplace has dealt us setbacks as devastating as the chilling blizzards of a century ago . . . but now, as then, Montana will survive and prosper.

In early December, the Montana Grain Growers met in Great Falls. Perhaps not surprising for a group that has been the traditional wellspring of next-year optimism, Montana farmers are going into the new year wearing buttons like this . . . buttons that say, "Yes we can."

Over the next four months, we can forge progressive new policies, shaped in part by adversity but more by the creativity and perseverance that make us uniquely Montanan. And then we can look our grandchildren right in the eye and say with pride—yes we did!





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